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September 30, 1999

Honorable Debra Renner
Acting Secretary
Public Service Commission
State of New York
3 Empire State Plaza
Albany, New York 12223

Re: Case No. 97-G-1380

Dear Acting Secretary Renner:

The enclosed original and revised leaves, issued by New York State Electric & Gas Corporation ("NYSEG" or the "Company"), are transmitted for filing in compliance with the requirements of the Public Service Commission (the "Commission" or the "PSC"), State of New York.

| | | | |
|---|---|---|---|
| Third | Revised | Leaf No. 5 | to PSC No. 88 Gas |
| First | Revised | Leaf No. 7.3 | to PSC No. 88 Gas |
| Original | | Leaf No. 7.4 | to PSC No. 88 Gas |
| Sixth | Revised | Leaf No. 12.1 | to PSC No. 88 Gas |
| Third | Revised | Leaf No. 12.2 | to PSC No. 88 Gas |
| Seventh | Revised | Leaf No. 15 | to PSC No. 88 Gas |
| Original | | Leaf No. 112 | to PSC No. 88 Gas |
| Original | | Leaf No. 113 | to PSC No. 88 Gas |
| Original | | Leaf No. 114 | to PSC No. 88 Gas |
| Original | | Leaf No. 115 | to PSC No. 88 Gas |

Effective November 1, 1999.

## Proposed Revisions

NYSEG submits these leaves in compliance with the Commission's Order dated August 4, 1999 and issued August 19, 1999. NYSEG proposes to implement a new Service Classification No. 16, Reliability Insurance Service ("RIS"), as part of PSC No. 88 Gas. The Company proposes to call this service RIS instead of Standby Sales Service because the terms and conditions associated with this service are different than the Company's PSC No. 87 Gas - Service Classification No. 6 - Standby Sales Service. RIS will be required for marketers that have submitted affidavits, in satisfaction of Section 4.P. or 5.I. of PSC No. 88 Gas, demonstrating recallable firm primary point and/or secondary capacity at the receipt point(s) designated by the Company.

A marketer's use of RIS will be limited to those periods during which deliveries to the Company on a secondary basis have been restricted or when the marketer can demonstrate that it is unable to make deliveries to the Company because its recallable capacity has been recalled. Under such circumstances, the Company will provide gas supplies to the marketer's core customers.

Marketers taking RIS will be charged a monthly demand rate, per therm, for their Reliability Insurance Demand Quantity ("RIDQ") and a commodity rate, per therm, for their Reliability Insurance Commodity Quantity ("RICQ"). The monthly charge, per therm, for the RIDQ will be equal to the Company's weighted average demand cost of gas less the applicable capacity release credits. The RIDQ monthly demand rates will equal the Standby Sales Service monthly demand rates in order to prevent gaming between services. The RIDQ rates will be included in the Company's normal monthly rate filing. For illustration purposes, below are the RIDQ rates as of October 1, 1999 which equal the Company's monthly Standby Sales Service rates that are filed each month and calculated on work paper SSS:

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| | |
|---|---|
| Owego Area | $0.8274/therm |
| Goshen Area | $0.7989/therm |
| Lockport Area | $1.1302/therm |
| Elmira Area | $1.4026/therm |
| Combined Area | $1.4026/therm |
| Binghamton Area | $0.8274/therm |
| Champlain Area | $3.3111/therm |

The charge, per therm, for the RICQ will be equal to one hundred ten percent (110%) of the Company's maximum daily gas index as defined in PSC No. 88 Gas, plus pipeline fuel and commodity costs.

## Background

On November 3, 1998, the Commission issued its Policy Statement Concerning the Future of the Natural Gas Industry and Order Terminating Capacity Assignment ("Policy Statement") in Cases 93-G-0932 and 97-G-1380. The Policy Statement required each LDC to file proposed tariffs, by no later than February 1, 1999, eliminating its mandatory assignment of capacity provisions, with the proposed tariffs becoming effective April 1, 1999. NYSEG filed in compliance with the Policy Statement on January 29, 1999.

The Commission addressed the compliance filings in its Order Concerning Capacity Assignment ("Capacity Assignment Order"), issued March 24, 1999 in Case 97-G-1380 et. al. Also in the Capacity Assignment Order, the Commission required that:

> ÿall marketers serving firm loads demonstrate that they have firm, non-recallable, primary delivery point capacity to the city gateÿ"

On August 19, 1999, in it order in Case 97-G-1380, In the Matter of Issues Associated with the Future of the Natural Gas Industry and the Role of Local Gas Distribution Companies ("Order"), the Commission required LDCs to file proposed tariff changes to provide a service alternative under which a marketer can serve customers with secondary capacity. NYSEG's proposed RIS service is designed to provide marketers unable to meet the Commission's requirements for firm, non-recallable, primary delivery point capacity with a service alternative to be used in conjunction with recallable firm primary point or firm secondary point capacity.

## Treatment of RIS Revenues

NYSEG proposes to treat RIS revenues as a credit to its transition surcharge to the extent that RIS revenues are generated from capacity related to post-aggregation firm transportation customers[1]. Thus, the Company's transition surcharge, which is designed to recover its stranded capacity costs as a result of customer migration and the elimination of capacity assignment, will be credited with RIS revenues and capacity release credits[2] associated with its stranded capacity. However, consistent with the intent of the Company's gas rate settlement, NYSEG will retain RIS revenues generated from capacity not related to post-aggregation firm transportation customers because the costs associated with this capacity are not included as stranded capacity costs.

If the proposed treatment of RIS revenues described above requires a waiver of the Commission's Order in this case, then NYSEG requests that it receive a waiver regarding its proposed RIS revenue treatment.[3]

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[1]Post aggregation firm transportation customers, in the context of NYSEG's gas service, are customers which switched to transportation service on or after November 2, 1995.

[2] NYSEG currently credits its transition surcharge with capacity release credits generated from the non-recallable release of capacity associated with post-aggregation firm transportation customers. This treatment will continue.

[3] It may be necessary for the Company to seek a waiver of the Commission’s Order to the extent that NYSEG’s proposed treatment of RIS revenues is inconsistent with footnote 1 of the Order which states that, “revenues derived for the application of the standby charge shall be treated in the same manner as if the revenue were derived from secondary market transactions.”

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**Affidavit**

In compliance with the Commission's Order dated August 3, 1999, issued August 19, 1999, NYSEG is submitting by overnight mail a copy of its affidavit to the Director of the Office of Gas and Water. The affidavit is applicable for the 1999/2000 winter season.

**Notification**

Per Ordering Clause No. 4 of the Commission's Order, the requirement of §66(12(b) of the Public Service Law as to newspaper publication of the revisions is waived.

This filing is also being sent to all Marketers providing service on the Company's system.

**Company Contacts**

Questions regarding this filing should be addressed to Dan Verdun at (607) 762-4296 or myself at (607) 762-5611.

Very truly yours,

Steven R. Adams
Manager - Gas Pricing, Regulation & Strategy

/sra
Encls.
Cy.: Alan F. Mostek, PSC